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Second report of the Secretary-General pursuant to paragraph 6 of resolution 1956 (2010)

I. Introduction

1. The present report is submitted pursuant to paragraph 6 of Security Council resolution 1956 (2010), in which the Council requested me to provide written reports on an ongoing basis to the Council every six months, with the first report due no later than 1 January 2012, about the United Nations Compensation Fund, evaluating the continued compliance with the provisions of paragraph 21 of resolution 1483 (2003). This second report covers the developments following the issuance of the first report (S/2011/795) on 22 December 2011.

II. Developments

2. In its authority over the arrangements for ensuring that payments are made to the Compensation Fund, the Governing Council of the United Nations Compensation Commission has continued to actively monitor developments following the expiration of the mandate of the International Advisory and Monitoring Board for Iraq on 30 June 2011 and the transfer of the oversight of the control, reporting and use of Iraqi oil export revenues to Iraq's Committee of Financial Experts.

3. The President of the Governing Council and the Executive Head of the Compensation Commission secretariat met with Iraq's Committee of Financial Experts in Baghdad in January 2012, and the Executive Head met with the Committee again in Geneva in April 2012. During those meetings, the Head of the Committee reiterated the importance that the Government of Iraq attaches to ensuring continued observance of the relevant United Nations resolutions, and advised that the Committee had no plans to alter the current mechanism for payment of 5 per cent of revenue from the sale of Iraqi petroleum and petroleum products into the Compensation Fund.

4. A delegation from Iraq's Committee of Financial Experts attended the opening plenary of the seventy-third Governing Council session of the Compensation Commission on 1 May 2012. The Head of the Committee confirmed that the mechanism for the valuation and the transfer of the equivalent of 5 per cent of non-monetary payments of petroleum, petroleum products and natural gas made to service providers had been approved by the Ministry of Finance of Iraq and that, in

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that regard, $109.9 million was transferred to the Compensation Fund in accordance with paragraph 3 of Security Council resolution 1956 (2010). The Governing Council welcomed this development.

5. In its conclusion on the issue of arrangements for ensuring that payments are made to the Compensation Fund at the seventy-third session, the Governing Council noted its satisfaction with the continued transfer of 5 per cent of Iraq's oil revenue to the Compensation Fund since the transition of oversight to Iraq's Committee of Financial Experts and with the Commission's positive working relationship with the Committee. The Council also directed the Compensation Commission Executive Head to continue to regularly engage with the Committee of Financial Experts regarding all payment and accounting mechanisms and to keep the Governing Council advised of any developments.

6. The average monthly income to the Compensation Fund for the first four months of 2012 was approximately $352 million, excluding the $109.9 million transferred in relation to non-monetary payments. Income for the month of April 2012 was $396.3 million, which is reflective of Iraq's increased oil production. Since the last report, the Compensation Commission has made two payments to Kuwait of more than $1 billion each; the first was made on 26 January 2012 and the second on 26 April 2012. The overall amount of compensation made available to date by the Commission is approximately $36.4 billion, with a total outstanding balance of $16 billion remaining to be paid. It is estimated that this balance will be paid in full by early 2015. The next payment to Kuwait is scheduled to be made on 26 July 2012 and is expected to be close to $1.3 billion.

7. The audit of the Development Fund for Iraq and the successor account to the Fund covering the period 1 January to 31 December 2011 has been conducted; however, it has not yet been finalized. As a result, the findings will be reflected in my third report.

8. I welcome the fact that the mechanism for the valuation and the transfer of the equivalent of 5 per cent of non-monetary payments to service providers has been established by the Government of Iraq. Furthermore, current levels of income to the Compensation Fund suggest that the Government of Iraq is in compliance with its obligations under paragraph 21 of resolution 1483 (2003). However, only after an audit of the Development Fund for Iraq and the successor account to the Fund is finalized will it be possible to confirm this conclusion.

9. I would like to conclude by expressing my ongoing appreciation to the Government of Iraq, including its Committee of Financial Experts, for its continued commitment to fulfilling its obligations and its ongoing cooperation with the Compensation Commission.